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Technical Director
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We are pleased to comment on an Exposure Draft of a proposed financial accounting standard, "Fair Value Measurements."

1. Paragraph 17 indicates that bid prices should be used for long positions and asked prices for short positions. While this may be conservative, it would seem more accurate in many situations to average the bid and asked prices.
2. Paragraph 23 provides examples of reasons for adjustments to quoted prices. Other reasons that should be listed include asset size, growth prospects, geographic diversity, product diversity, access to capital, leverage, and similar factors.
3. On Issue 8, we believe the objective of this proposed standard is to determine as closely as possible the fair value of what is actually held. If Company A holds 1% of something, and Company B holds 25% with a 10% block valuation premium, Company B should reflect the block valuation premium. Market transactions involving blocks would support the premium.

Accordingly, for assets held in blocks, and that are more likely than not to be traded in blocks, we would require valuing the items held based on the fact that a block is held, regardless of whether this results in an increased or decreased fair value compared to a unit valuation. To ignore the effect on fair value if a block is held ignores important information about the fair value of what is held. We note that paragraph 23 of Statement No. 142 uses a concept of blockage: "the fair value of the reporting unit refers to the amount at which the unit as a whole could be bought or sold". The alternative would be to determine the fair value of the reporting unit by individually valuing the units it is composed of.

In addition, disclosure of fair value should include disclosure of any assumptions used about the effect of a block valuation rather than a unit value.

4. Footnote 4, pertaining to paragraph 5, notes that the estimate of fair value of a liability should be adjusted to reflect "an exchange between willing parties of the same credit quality". This is confusing. Should we use willing parties of the same low credit quality or of the same

high credit quality? If one party to an exchange has high credit quality and the other low, which one do we adjust so as to yield "the same" credit quality?

If there is an active market, why should the market price be adjusted for credit quality, especially if cash is paid and the seller has no further involvement? If two companies assume equal liabilities (such as assumption of an environmental remediation liability in a purchase business combination, or purchase of a pool of deposits from a financial institution), paragraph A23 seems to imply the company with the higher credit rating might record a larger amount than will the company with the lower credit rating. Why is this?

If Company A transfers its liability to Company B, the credit rating of Company A would seem to have little influence on the fair value of the liability on Company B's financial statements.

Finally, there is an apparent need to reconcile the guidance in paragraph 7a regarding actual transactions for identical assets with the guidance in footnote 4 and paragraphs A23-A27 about adjusting/determining fair value of liabilities using credit ratings.

5. Paragraph 12 notes the need for market inputs to be based on information that is timely. In less-active markets the information may not be timely, but the information may still be useful in estimating fair value, as paragraph 23a notes for level 3 estimates. Paragraph 12 should be expanded to cover more circumstances, such as the use of non-timely information in some cases.

Contact Jim Brown if you have further questions.

Very truly yours,

Crowe Chizek and Company LLC